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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

JOINT INSPECTION UNIT

Travel in the United Nations: issues of efficiency and cost savings

Note by the Secretary-General

Addendum

The Secretary-General has the honour to submit to the General Assembly his comments on the report of the Joint Inspection Unit entitled "Travel in the United Nations: issues of efficiency and cost savings" (A/50/692, annex).

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ANNEX

Comments of the Secretary-General

I. GENERAL COMMENTS

1. The Secretary-General welcomes an overall review and evaluation of key issues in the management of travel in the United Nations Secretariat aimed at proposing practical measures to enhance its efficiency. The report contains a number of interesting observations and proposals on the subject and strives to provide a timely input into the ongoing review of travel-related issues by the General Assembly. The basic focus of the report is the most efficient use of human and financial resources, as well as of modern and effective management practices, in the area of United Nations travel. Outside the framework of the review is travel related to peace-keeping operations, as well as the travel of the members of organs and subsidiary organs of the General Assembly.

2. The intent of the report - to compare United Nations practices with the market-oriented approach of the corporate world - is well taken. The Secretary-General is pleased to note that a vast range of sources outside the United Nations system was tapped in the course of the report's preparation. 1/ However, the report could have benefited from a more extensive description and comparative analysis of the best practices of the corporate world and the public sector in managing business travel, which could be emulated by the United Nations, rather than limiting information gleaned from these interviews to a single observation that "stopovers during air travel are completely unknown in the business world". 2/

3. The report could also have gained from inclusion of a cost-benefit analysis of its proposals for introducing new ways and means of travel management, such as decentralization of travel management, extension of the travel computer network to departmental units, and creation of new advisory bodies. It is difficult to judge the validity of such proposals without even a rough estimate of the resources that would be required to implement them and an assessment of the benefits that are expected to derive from the new arrangements.

4. The Secretary-General does not accept the Inspectors' conclusion that the Organization is not properly equipped or ready to face the challenges or to profit from the opportunities of the travel market. 3/ This assertion is not substantiated in the body of the report by any facts or figures attesting to opportunities foregone, technological limitations, obsolete techniques or disadvantageous commercial arrangements, if any, on the part of the Secretariat. Such a misperception demonstrates an insufficient acquaintance with the efforts and progress made by the Secretariat in the area of travel management since 1992.

5. In fact, the Secretariat's travel operations have been significantly modified to allow for managing a travel volume that more than doubled as a result of peace-keeping operations, without increasing the number of staff. The Secretariat aggressively pursued negotiations with airlines and developed the concept of the preferred carrier agreement, which allowed the Organization to

obtain cash rebates of more than $5 million. Persistent negotiations with airlines in connection with conference, peace-keeping and election-monitoring travel brought about additional net savings of about $2.5 million over the past two years. These savings are above and beyond reduced ticket prices achieved through innovative discount agreements, which contain provisions such as blanket waivers of ticket restrictions, minimum stay and advanced purchase requirements. Considerable additional savings were realized through employing modern travel management techniques and the most up-to-date software and hardware for monitoring the travel market.

6. It should be noted that agreements and discounts achieved by the Secretariat were appraised by independent experts as being among the most cost-effective in the industry. Travel managers within the United Nations system and from other international organizations frequently approach the Secretariat for consultations on emulating the agreements it has concluded with airlines and travel agencies.

7. To keep the staff of the Travel Unit equipped to tackle the challenges of the modern air travel market, they frequently participate in training offered by rate audit companies 4/ and rate desks of many international airlines. The rate experts at both the Headquarters Travel Unit and the United Nations Office at Geneva are highly trained specialists in international fare construction, equipped to deal competently and efficiently with the rate desks of airlines and travel agencies.

8. The Secretary-General is pleased to note that the thrust of the Inspectors' analysis and of the Secretariat's approach mostly coincide: both are aimed at simplification of policies and streamlining of administrative procedures, automation of routine processes and enhancement of internal controls. It is expected that the full implementation of the Integrated Management Information System (IMIS) will make a major contribution to achieving these goals.

II. COMMENTS ON RECOMMENDATIONS

Recommendation 1, paragraph (1)

9. The Secretary-General concurs with the emphasis on the importance of Secretariat-wide coordination of travel-related activities, which involves different areas of administration, such as budget and finance, entitlements and general services. It should be noted that each organizational entity has clearly delineated functions and there is no administrative confusion or overlap regarding their activities and areas of competence.

10. Currently, an ad hoc working group on travel issues, in which various departments and offices are represented, reviews from time to time the pertinent issues of travel management. In view of the persistent budgetary and financial constraints, the Secretary-General does not deem it appropriate to create a new office in the Secretariat. Rather, in line with the spirit of this recommendation, the ad hoc working group on travel issues will be convened as and when necessary, with an expansion in membership if required.

Recommendation 1, paragraph (2)

11. The Secretary-General is pleased to advise that the recommended reorientation of the work of travel units is already in place. The travel units at the major duty stations are staffed with personnel who are fully trained to deal with the intricacies of the modern air travel market and price structure. They persistently explore new ways of reducing travel expenses through obtaining special discounts and concluding agreements on preferential treatment. The rate experts in travel units in both New York and Geneva are highly trained specialists in international fare construction. As explained in paragraphs 6 and 7 above, the personnel of travel units undergo periodic training geared to new market developments. Their professional competence and expertise have allowed the Organization to achieve considerable savings through preferential rates and discounts obtained from carriers.

Recommendation 1, paragraph (3)

12. The Secretary-General does not find this recommendation acceptable for the following reasons. First, a move away from enforcement, ensured by pre-auditing, to monitoring at a time when accountability is increasingly stressed would be counter-productive. Secondly, programme managers should remain focused on the efficient delivery of substantive programmes, rather than being distracted by negotiations on support services such as travel arrangements. Thirdly, decentralization of the search for least costly airfares would undermine the Secretariat's negotiating leverage and erode the achieved economies of scale.

13. It should also be recalled that travel management requires specialized skills and expertise. It would be extremely difficult to find within the Secretariat staff who are more knowledgeable about international travel markets than those currently serving in the travel units. Experience shows that it takes at least six months to train an individual to become operational in the area of fare construction. A move from central pre-audit and approval of all travel authorizations to individual departments would require a considerable increase in the number of travel assistants, along with their intense training in the use of computerized reservation systems (CRS) and fare construction.

14. The problem of manpower is compounded by the problem of equipment. Currently, CRS monitors and connection are provided by the travel agency. However, this arrangement was feasible only because of the physical proximity of travel units to travel agency locations and the small number of CRS required for the staff of travel units. To implement the Inspectors' recommendation, CRS would have to be installed at every executive office at a cost of more than $1,300 and then rented at a monthly fee of $1,100. It cannot be expected that the travel agency would be able or willing to absorb such significant additional costs.

15. Along with these drawbacks, the suggested decentralization of the travel approval function would inevitably bring about inconsistencies in the application of travel rules.

16. The Secretary-General finds unacceptable the recommendation to do away with the mandatory pre-auditing of all travel authorizations and to switch over to monitoring only the compliance of the travel agency with the requirement of providing the lowest applicable airfare for any given travel. It is a common experience of travel managers in both the public and the private sectors that ex post facto monitoring gives no guarantee of ensuring the lowest applicable international fares, whereas pre-auditing is the only reliable tool for this. It should be emphasized that specialized airfare audit companies recommend pre-auditing of airfares as the only efficient way of consistently achieving the lowest applicable airfare. Moreover, it is practically impossible to determine in the course of ex post facto monitoring whether a specific international flight or booking class was available at the time of reservation. Monitoring also diminishes the possibility of finding alternate and more cost-effective routes for the same travel.

17. To dispel possible misunderstandings, some explanations on how the Secretariat ensures the use of the lowest applicable airfares are in order. The existing standard agreements with travel agencies stipulate the lowest applicable airfare for all travel. By the time the Travel Unit pre-audits travel requests, basic bookings by the respective traveller have often already been made. The Travel Unit then reviews these reservation records and either confirms the lowest airfare for the travel within applicable entitlement rules, or makes alternative routing and travel date suggestions to travellers, if that can reduce applicable airfares. The latter approach has permitted the Organization to save a significant amount of scarce travel funds, whereas the Inspectors' recommendation would impair this important cost-saving technique. It should be noted that the fact that the Secretariat's rate experts are not associated with any particular airline or travel agency enhances their efficiency in searching for and constructing low airfares. They perform their work in a highly efficient manner with an annual audit volume of more than $10 million per person.

Recommendation 1, paragraph (4)

18. The Secretary-General finds no particular merit in the proposal to establish an advisory committee on travel. In line with the strengthening of managerial responsibility and accountability in the Secretariat, the number of such committees should be reduced to a minimum and certainly not increased. The implementation of United Nations travel policy remains the direct responsibility of functional managers. It is notable that most of the proposed terms of reference of such a committee are currently the direct responsibility of the management of the Purchase and Transportation Division, Office of Conference and Support Services, and the Travel Unit within that Division, including the evaluation and monitoring of the relationship with airlines and travel agencies, the negotiation of arrangements with travel providers and the evaluation of travel market developments and opportunities. Others have been dealt with by the ad hoc working group on travel, mentioned in paragraph 10 above. The guidance of senior managers will be sought, as appropriate.

Recommendation 2

19. The Secretary-General concurs with the recommendation that comprehensive information on travel policies, rules and entitlements should be easily accessible to managers and staff. In line with this recommendation, it is envisaged to make a package of pertinent information on travel available in electronic form.

Recommendation 3, paragraph (1)

20. The Secretary-General concurs with the recommendation and is pleased to note that while programme managers are directly responsible and accountable for ensuring that travel programmes effectively support their substantive activities, their departmental Executive Officers exercise delegated authority regarding compliance within the department with formal rules, administrative instructions and standards on travel. The system of internal control provides that the Travel Unit is responsible for pre-auditing and the approval process to ensure the usage of lowest applicable airfares and the consistency of the application of travel rules and policies throughout the Secretariat.

Recommendation 3, paragraph (2)

21. In view of the special importance that the General Assembly attaches to the efficient management of travel and cost-saving measures in that area, the Secretary-General believes that travel expenditures should be budgeted and accounted for separately from other programme expenditures to ensure the transparency of, and proper control over, travel-related activities.

Recommendation 3, paragraph (3)

22. The Secretary-General disagrees with the recommendation. While effective management of travel programmes is a part (although not the most important part) of the overall performance appraisal of programme managers, it would be inappropriate to introduce any special incentives for the fulfilment by programme managers of their assigned responsibilities in this specific area. Management will continue to rely on the existing system of accountability and oversight in cultivating among the staff of the United Nations a sense of cost-consciousness for travel expenses.

Recommendation 4, paragraph (1)

23. The Secretary-General would like to note that more than a year ago, a clause concerning the usage of credit cards was included in a preliminary draft of the agreement with the travel agency, but was not incorporated in the final text in view of legal reservations. The cost and benefits of this option will continue to be examined, along with its legal implications.

Recommendation 4, paragraph (2)

24. This recommendation will be implemented in release III of IMIS.

Recommendation 4, paragraph (3)

25. The Secretary-General agrees with the recommendation.

Recommendation 5, paragraph (1)

26. The Secretary-General shares the view that it would be desirable to establish common standards for basic requirements regarding air services to be used worldwide in soliciting air services. However, experience shows that owing to divergent local market conditions and applicable local laws and regulations, it is extremely difficult to establish a standard contract applicable to all duty stations. Nevertheless, the Purchase and Transportation Division provides guidance to all duty stations regarding essential clauses and safeguards of contracts for air services, whenever they are negotiated.

Recommendation 5, paragraph (2)

27. The Secretary-General is pleased to note that the current practices of the Secretariat are already in line with the cost-saving spirit of this recommendation. This goal is achieved by various means.

28. Management continuously evaluates United Nations agreements with its preferred carriers and updates them in line with the prevailing market conditions. The significant cash rebates obtained by the United Nations from its preferred carriers compare well with the discounts negotiated by major private corporations having a similar international travel volume.

29. It should be emphasized that it is not correct to compare the airfare agreements of the United Nations to those of large Member States. Their domestic and international volume tends to be many times that of the United Nations, yet it is concentrated on flights by their national airline to and from the home country. The national carriers of these countries extend, as a matter of course, extremely favourable terms to their Governments. In contrast, the United Nations moves passengers to many different countries and is therefore required to use a wide variety of carriers. Although the Secretariat generates a sizeable volume of air traffic with some carriers, international airlines with the largest market share are resistant to granting special treatment or discounts to an account having an annual air volume of less than $2 million.

30. Above and beyond the cash discounts received as a result of the preferred carrier agreements, the Secretariat has negotiated significant rebates for specific routes, which decreased airfares paid on frequent destinations to levels comparable with government rates. For example, the rates obtained by the United Nations Secretariat for the New York <-> Geneva market have been reduced since 1993 by 53 per cent and are now close to the United States Government rates. For most European and several major Asian and African destinations, the United Nations receives airfare reductions of up to 28 per cent. It should also be noted that no national Governments were ready to provide assistance to the United Nations in previous attempts to obtain special hotel and airfare rates negotiated by national Governments for their own travellers. Without the active cooperation of the concerned Governments, airlines and hotels as a rule do not allow the use of government rates for United Nations travellers.

31. A reduction in the number of carriers with which the United Nations has preferred carrier agreements is likely to have a negative effect on its flexibility to provide air transportation to any destination at any given time. The United Nations often does not have a choice of air carriers when moving staff to specific destinations on a given date. With many travel requirements arising at short notice and with great urgency, the United Nations has to be able to transport travellers to their destination on any given day utilizing whichever carrier has available seats on that route.

32. The Secretariat has consulted a negotiated rate expert regarding its international travel volume and was informed that a number of United Nations agreements with its carriers are the best possible deals for the volume and type of travel booked by the United Nations. Since then, the Secretariat has negotiated an additional special agreement with one of the carriers serving the New York <-> Geneva market, which allows the booking of travel in this city pair at the lowest published airfare that is available for the day of travel. In doing so, the carrier waives advanced purchase and minimum stay requirements usually associated with these discounted and promotional airfares. A considerable advantage of the agreements reached by the United Nations is that they are not restricted by guarantees of minimum purchases or similar limitations.

Recommendation 6

33. The Secretary-General agrees with the recommendation and notes that the Secretariat has already acquired some experience in this area. The scope and pace of its implementation will depend on the cost-efficiency of available technology and the financial situation of the Organization.

Recommendation 7, paragraph (1) (a)

34. The Secretary-General is of the opinion that this recommendation involves a technical issue related to travel standards and should be referred to the International Civil Service Commission (ICSC) for further study before the General Assembly takes a decision on the recommendation.

Recommendation 7, paragraph (1) (b)

35. The Secretary-General concurs with the suggestion that closer cooperation of substantive departments with travel units should be encouraged. However, for the reasons explained in paragraphs 13 to 15 above, the recommendation to provide access by substantive departments to on-line airline schedules and information is not acceptable. The specialization, expertise and cost-efficiency already achieved should not be eroded.

Recommendation 7, paragraph (2) (a)

36. The Secretary-General is of the opinion that this technical issue related to travel standards should be referred to ICSC for further study.

Recommendation 7, paragraph (2) (b)

37. The Secretary-General takes note of the recommendation.

Recommendation 7, paragraph (3)

38. The Secretary-General supports the intent of the recommendation to reduce the reporting on exceptions granted to the standards of accommodation for air travel, as the preparation of such reports on the current basis is time-consuming and labour-intensive.

Recommendation 7, paragraph (4)

39. While recognizing that substantial changes in the nature of air travel have occurred since the provision on stopovers was introduced, the Secretary-General believes that further study is required to assess the full impact of this recommendation. ICSC might be asked to look into this matter as well.

Recommendation 7, paragraph (5)

40. The Secretary-General concurs with the recommendation.

Recommendation 8, paragraph (1)

41. The proposed expense-based system contradicts the existing policy aimed at simplification of travel procedures. It would entail complicated and costly administrative arrangements for monitoring and verifying the documentary evidence, without any obvious benefits of curtailing travel expenses. The Secretary-General is of the view that the existing daily subsistence allowance (DSA) system should be maintained, as it is more efficient and cost-effective than the proposed system.

Recommendation 8, paragraph (2)

42. The Secretary-General takes note of the recommendation.

Recommendation 8, paragraph (3) (a)

43. The Secretary-General agrees with the recommendation. The Secretariat is currently working with the United Nations Development Programme, the United Nations Children's Fund and the travel agency used at Headquarters to compile such information and make it available to all travellers in on-line format.

Recommendation 8, paragraph (3) (b)

44. The Secretariat has attempted on several occasions to obtain waivers of hotel taxes for United Nations travellers in New York. However, these tax arrangements are a part of the host country agreement with the Government of the United States of America, which is not open to changes in this respect. It should be noted that the United Nations as an organization is exempt from United States taxes; hotel taxes therefore do not apply if the hotel is paid directly by the United Nations rather than by the individual traveller. It should also

be noted in this context that the DSA rates are established bearing in mind actual prices to be paid by United Nations travellers (including applicable taxes).

Recommendation 8, paragraph (4)

45. The Secretary-General disagrees with the recommendation. The present system is cost-effective, as the amount allowed is almost always less than actual expenses, and it is also simple to administer.

Recommendation 8, paragraph (5) (a)

46. The Secretary-General is pleased to note that the policies and practices already in place in the Secretariat coincide with the intent of the recommendation.

Recommendation 8, paragraph (5) (b)

47. After attempting to manage frequent-flyer mile banks in the past, the Secretariat ascertained that it was not cost-effective to put extensive personnel resources into the administration of frequent-flyer mile accounts and changed this policy. Staff members are encouraged to utilize frequent-flyer miles for official travel, whenever possible. However, this is done on a voluntary basis, as the audit of the use of the free mileage is extremely time-consuming and often impossible. In addition, airlines refuse to assist companies and organizations to utilize frequent-flyer miles credited to individuals for official travel.

48. In this connection, and in line with the Inspectors' emphasis on the best practices in the corporate world, it should be noted that according to a recent survey, 91 per cent of 1,900 United States corporations decided to leave the utilization of frequent-flyer miles to the individual traveller who accumulated them. 5/ Similarly, 75 per cent of German corporations, including several large banks and industrial companies, decided not to pursue these mileage accounts for company use. 6/ The Secretary-General is reluctant to assign any of the overstretched personnel resources to the administration of mileage banks, an exercise that has been found inefficient by the majority of corporations in the private sector.

Recommendation 9, paragraph (1)

49. The Secretary-General concurs with the recommendation, noting that these tasks fall under article 11 (b) of the ICSC statute and should be most appropriately undertaken by the Commission, with relevant recommendations submitted, through the Advisory Committee on Administrative and Budgetary Questions, to the General Assembly. In this connection, it should be noted that recommendation 7, paragraph (2), on raising the nine-hour threshold for business-class travel to 10 hours, would, if accepted by the General Assembly, further increase the disparity in travel standards in effect in the common system.

Recommendation 9, paragraph (2)

50. The Secretary-General concurs with the recommendation and notes that such efforts have already been undertaken for a number of years by, and under the auspices of, the Consultative Committee on Administrative Ques ions (Financial and Budgetary Questions) of the Administrative Committee on Coordination.

Notes

1/ See A/50/692, para. 6.

2/ Ibid., para. 143.

3/ Ibid., para. 36.

4/ Including the leading fare audit company Topaz.

5/ Wall Street Journal, 28 November 1995, p. A5.

6/ Capital, No. 9, 1995, p. 221.